The Director of Central Intelligence
Washington, D.C. 20505

[redacted]

20 January 1982

MEMORANDUM FOR: The President
The Vice President
Secretary of State
Secretary of Defense
Counsellor to the President
Chief of Staff to the President
Deputy Chief of Staff to the President
Assistant to the President for
National Security Affairs

Here is a presentation I made to the President's Foreign Intelligence Advisory Board at its first meeting last week. I thought it would be useful to you as an update on the present state and activities of the Intelligence Community.

Bill

William J. Casey

DCI REMARKS TO PFIAB
13 January 1982

- Familiar surroundings - familiar faces

- We look forward to doing important constructive work together

- PFIAB has a distinguished record and tradition in prompting and supporting the CIA in photographic reconnaissance and communications intelligence where Bill Baker and Johnny Foster were towers of strength, in extending its work from largely military matters to currencies and fuels and minerals where Leo Cherne and John Connally played a leading role, and in resisting restrictions which Ed Williams pronounced unconstitutional. I remember more than one shootout in the Cabinet Room between Ed and Justice Department officials.

- Your outside experience can similarly help us appreciate the evolution of events and needs in today's world and how intelligence should adjust to accommodate to these needs.

- In December, Admiral Inman and I presented to the NSC a 6-month study which the Intelligence Community did on the challenges we see during 1985-90 and the emerging technologies available and the capabilities and resources needed to meet those challenges. I will touch on these capabilities as I go along.

- Great deal to be done - challenges intensify - rebuilding job long-term one

- The Intelligence Community lost 40% of its funding* and 50% of its people** between 1968 and 1980***.

- The Board can help validate large capital requirements to modernize an increasingly obsolete worldwide communications system and to erect a new building

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*In constant dollars--real purchasing power.
**Attributed mostly to closing of large SIGINT bases overseas.

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on our grounds in Langley to recover the time and efficiency lost from having

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- You can endorse and encourage legislation to make it a crime to disclose the identity of under cover intelligence agents in order to damage the American intelligence system in the kind of a campaign waged by a tiny group which has already cost lives and threatened families and damaged the morale of dedicated people around the world.

- We believe strongly that all our human collection can be improved substantially if we are relieved of the Freedom of Information Act. Close to 5% of the time of our experienced operational people is consumed in seeing that we don't let out information which would endanger our people or damage our sources in response to Freedom of Information queries. Worse still, we don't know how much friendly intelligence services hold back for fear that our exposure to the Freedom of Information Act will compromise them. Nor do we know how many agents have left us or won't have anything to do with us because they won't risk their lives and reputations with an intelligence service whose adversaries have a legal right to poke into its files. We do know that no other intelligence service in the world operates under this kind of a handicap. The only other [redacted] which have this kind of a law exempt their intelligence services. That's what we're asking for. 25X1

- Feel pretty good about the first year. Not battering from Congress and media but denial of resources, hesitation to make use of capabilities and imposition of restrictions which had dampened spirits. Recognition that new Administration intended to use the Intelligence Community and support it with renewed resources quickly lifted spirits and morale.

The Reagan Executive Order, while fully preserving the requirement to meet the requirements of the Constitution and all the laws, carried a positive mandate. What was most important, it permitted us to reduce the operating guidelines which officers around the world need to consult from 130 pages of legalisms to 30 pages of reasonably clear instructions. When you consider that these officers are not lawyers, you can imagine how that will increase their effectiveness.

Our technical collection facilities do a remarkable job in covering weapons testing and deployment, military formations, nuclear activities, monitoring compliance with arms limitation and non-proliferation treaties and indication and warning of military plans and actions. This is done by near real time

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[redacted]

All this technical collection tells a lot about enemy capabilities. We need human intelligence for deeper insight into intentions, plans, systems. We collect human intelligence through the clandestine service and through

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recruits and training them hard. The watchword is to push responsibility on them as quickly as they can take it and weeding them out promptly unless they show distinct promise. I'm told that we're doing better than ever in bringing information in from behind the Iron Curtain, particularly information about weapons development and capabilities. Human intelligence takes time. I'm convinced that intensified effort will pay off, because there is a growing dissidence and willingness to blow the whistle on Communist regimes. We get

We believe strongly that all our human collection can be improved substantially if the Freedom of Information Act is removed as a deterent for both agents and liaison services to work with us.

So we are now getting and can expect an increasing flood of facts. These are only as good as our ability to cross-check and verify them, weave them into a mosaic and understand their meaning. That's the task of our analytical apparatus.

For over a quarter of a century this analytical apparatus had been organized along functional lines. When I found it, divisions for strategic analysis, for political analysis, for economic analysis, for geographic and societal analysis and for science and weapons. We have converted this to a geographic organization. Problems and crises almost always come up on a national or regional basis. State and Defense, NSC and our own operational directorate are organized on a geographic basis. Under a functional organization, a new problem would have to be attacked in separate duchies in its military, economic, political and technical aspects. The normal thing would be for specialists in

each duchy to have a go at it, form their conclusions, and get them approved at the top. Then the interdisciplinary evaluation would be thrashed out, coordinated and negotiated by busy office directors. These are analysts who turned administrators, overburdened, pressed for time and too frequently grown thin on substance. Under the new organization, working analysts attack the problem in a multi-disciplinary manner from the beginning. When it is worked out, the analysis is approved in one chain of command. Political, economic and military analysts are sharing information on a constant basis. We already find this bringing more effective and coherent analysis, more speedily done, and saving large amounts of coordinating time. We expect it to enable us to restore some analysts turned administrators back into analysts.

The logic of this organization has been recognized before. It's an enormous task and no one was willing to tackle it until we switched John McMahon from chief of the operational directorate to chief of the intelligence directorate. He analyzed where and how the work was done in great detail and bit the bullet. His reward has been appointment as Executive Director. One of the problems with CIA is that it has tended to be four separate duchies, the Operations Directorate, the Analytical Directorate, the Science and Technology Directorate, and the Directorate of Administration rather than one integrated organization. McMahon has a track record, unique in CIA history, for being a strong and versatile manager running the clandestine service, reorganizing the analytical service, developing or running technical collection capabilities in both the photographic and signals area. As Executive Director, his mission is to make the directorates more cohesive and mutually supportive.

Reorganizing the analytical apparatus provides a fresh opportunity to improve both the quality of analysis and its relevance to decisionmaking. Bob Gates, a career CIA employee who has served as National Intelligence Officer

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for the Soviet Union and as a member of the NSC Staff under Scowcroft, Kissinger and Brzezinski, has become chief of the analytical apparatus which is no longer called NFAC, for National Foreign Assessment Center. That was a little pretentious and created the appearance and perhaps a sense of being something apart and separate from CIA. So Bob Gates is DDI, chief of the Directorate of Intelligence as it's always been called except for the last few years. More important, Bob is full of fresh, bold and innovative ideas for improving the quality and relevance of our analysis of the Niagara of facts that come pouring in from the cameras and recording capabilities and the stations we have around the world. Bob moved, in his first week on the job, to establish that in the future all present and prospective division chiefs will have at least one year of experience in a non-intelligence consumer of intelligence products (State, Defense, NSC or other). Each analyst will be required to refresh his substantive knowledge and perspective through regular outside training. All DDI research programs are to be re-evaluated. All analysts will be evaluated and promoted on the quality of their work, and each piece of work will be considered in terms of its relevance, timeliness, quality in writing and presentation, innovativeness and imagination, and above all its accuracy. These evaluations, accompanied by comment by the head of the unit, will be kept in a career-long production file for each analyst. To assure input and challenge from outside, each office will be required to develop an aggressive program of contacts, conferences, and seminars on important subjects. A roster of outside contacts and consultants on each country or general subject area who will be asked regularly to review drafts and provide critical commentary.

In this business, intelligence estimates are the bottom line. The highest duty of a Director of Central Intelligence is to produce solid and

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perceptive national intelligence estimates relevant to the issues with which the President and the National Security Council need to concern themselves. When General Bedell Smith took office as Director of Central Intelligence, he was told that President Truman was leaving in 20 hours to consult with General MacArthur at Wake Island and that he would want intelligence estimates on seven issues to study on the plane. Smith assembled the chiefs of the intelligence community in the Pentagon at 4 p.m., divided them and their staffs into seven groups, told them they would work all night and have their assigned estimate ready for delivery at 8 a.m. President Truman had his estimates as he took off for his discussions with General MacArthur.

We haven't yet attained that tempo--but we get them out a lot faster than previously. First thing I did was ask what Cuba is up to. I was told an estimate was in process. When it came it was weak and short on Soviet support and influence. I sent it back. All in all, it took something like four months to get it out. When I looked into it, I found that the first draft of that estimate was done in June of 1980, almost a year earlier. It was better than the 6 or 7 drafts that followed. This first draft did predict a new aggressiveness from Cuba. This perception was diluted and toned down in the subsequent drafts. Earlier there was a draft on Nicaragua which predicted what happened there, but never got out at all. This work was available at a time when those developments certainly should have been carefully considered. Sadly, these perceptions were strangled in the clearance and coordinating process so that in the case of Nicaragua they never reached policymakers in a national estimate and in Cuba they were delayed while Cuba's new aggressiveness inflamed Central America and would have reached policymakers in diluted form if the final draft had been approved. Estimates don't linger around any more. We established an accelerated time table for producing an

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estimate which gets factual input from all elements of the community and bringing it to the table at the National Foreign Intelligence Board as within a couple of weeks and faster if necessary. At this table the chiefs of each element of the Intelligence Community--DIA, NSA, CIA, the military services, FBI, Energy, Treasury--sit as a board of estimates. Everyone can and does speak up with the assurance that it is my responsibility to both frame those estimates and reflect significantly different views that may exist in the intelligence community. Thus we have done away with conclusions by consensus and negotiation. Policymakers get a full range of credible and substantiated conclusions.

During the summer we produced comprehensive estimates which became the basis for comprehensive policy initiatives on the threat to Central America, Soviet Potential to Respond to U.S. Strategic Force Improvements, the Persian Gulf, the Middle East, and the China-Taiwan problem. We broke new ground with first time estimates on technology transfer, the decline of the Soviet economy and the dependence of the Soviet military on western trade and technology.

You have a list of key estimates issued during our first year and the conclusions of our Senior Review Panel after a detailed study of the relationship between National Intelligence Estimates and policy issues addressed by the NSC during 1979 and 1980 and those issued in 1981. (Appendix A)

What do these estimates tell us about where we stand in the world and the threats we face? They lay out a sobering if not frightening picture of Soviet capability and forward movement on a broad, but ominously interrelated, variety of fronts.

Strategic - within a couple of years of being able to knock out our land based missiles. (We estimate they could now destroy 80%--in a few years 90%.)

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Superior conventional forces and intermediate range missiles on the central front in Europe.

Ability to project power as first seen in moving tanks and other heavy weapons to link up with Cubans in Angola and Ethiopia and currently reflected in ready airborne divisions, in plans and exercises to run through Iran very quickly and tanks and other mobile weapons prepositioned in Yemen, Libya and possibly Syria.

Military Assistance is a more subtle but nevertheless effective Soviet tool for creating Third World dependency. Two years ago we sold twice as much arms to the Third World as the Soviets. Today they offer better terms and delivery to sell 50% more than we do. Their provision of a growing preponderance of military advisors is both cause and effect of this.

Propaganda - we have had difficulty in getting attention to yellow rain in Indo-China and Afghanistan, to the rapid pace which SS-20s targeted at Europe are being installed and to Soviet and Soviet proxy supply of weapons and training of insurgents in Central America. At the same time, the Soviets have had success in proclaiming their peaceful intentions and denouncing us in mass demonstrations against U.S. weapons in Europe and against our assistance to legitimate governments in Central America. The Voice of America, Radio Free Europe, and Radio Liberty are being shaken out of their long lethargy to tell the truth about real issues but they need more and better facilities to overcome Soviet jamming and do an adequate job of offsetting a far stronger Soviet effort. CIA special activities are providing an increasing effective response to Soviet propaganda.

Subversion and Insurgency - while we've put the great bulk of our effort into following the Soviet military threat, over the last six to seven years we've been more

severely damaged by destabilization and economic aggression. Events have demonstrated that we could not safely renounce assistance to our friends against subversion by our adversaries. In the aftermath of Vietnam, the Soviet Union soon began to test whether the U.S. would resist foreign-provoked and supported instability and insurgence elsewhere in the Third World. Fully aware of the political climate in this country, in the mid-1970s they developed an aggressive strategy in the Third World. It avoided direct confrontation with the U.S. and instead exploited local and regional circumstances to take maximum advantage of third-country forces (or surrogates) to attain Soviet objectives. This enabled Moscow to deny involvement, to label all such conflicts as internal, and to warn self-righteously against "outside interference." There is little disagreement among our analysts that Soviet and proxy successes in the mid- to late 1970s in Angola, Ethiopia, Cambodia, South Yemen, Nicaragua, and elsewhere have encouraged the Soviets to work with the Cubans, Vietnamese and, recently, the Libyans ever more aggressively to threaten new targets, notably in Africa, Central America and the Middle East.

Our capability to provide clandestine paramilitary support, which functioned well in the Iranian hostage crisis, would have disappeared with a few more retirements. We're making good progress in a program to rebuild CIA paramilitary capability and a program to rebuild and to cooperate with the Pentagon in a common effort to maintain paramilitary and anti-terrorist capabilities, with CIA handling the clandestine aspect and the military the overt aspect. We've done an estimate identifying stability factors in countries where actual or potential instability is a matter of concern and rating them according to the degree of this threat. To keep a continuing watch on this and to develop assessments and evaluate strategy to deal with these threats, a Center for Instability, Insurgency and Terrorism is being established in the DDI.

The Technological Race

The Soviets have a far-flung effort, far beyond ours, to perfect missile defense, develop laser and directed energy weapons, anti-satellite weapons, permanent space stations and anti-missile defense. They have well over a hundred new systems in development, much of it based on our technology.

One of the first things I did was call for an evaluation of what the Soviets had gained in acquiring technology from the West. The facts accumulated in such alarming proportions that we established a Technology Transfer Center around mid-year. By early October we had established that the increasing sophistication, accuracy, power, impenetrability and countermeasure capability of Soviet weapons, against which we must defend ourselves, was based on our own expenditures in research and development to a far greater degree than we had ever dreamed. We established that the Soviets were conducting a massive far-flung and well organized effort to get technology from the West through trade, theft, illegal purchase, espionage, scientific exchanges and study programs. [redacted] the Soviets had 15 years ago started to hire and train about 100 young scientists a year. This now has produced an organization of about a thousand experts who identify Soviet technology needs, target where they might be acquired in the West and roam the world to search out details and samples of targeted Western technology. This has been enormously successful. The Soviets have had a huge free ride on our R&D military and our civilian technology. We have paid for much of the vastly increased military threat which will now require us to increase our military spending by hundreds of billions of dollars over the years immediately ahead.

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There is the constant threat of a breakthrough which could tip the strategic balance against us, particularly in laser and directed energy and in space systems where massive programs are under way. We have identified some 40 design bureaus and research centers working on lasers and directed energy. From photography of their space facilities we know that during the mid-80s there will be a huge increase in their space launchings aimed at establishing permanent manned stations in space. Recently they began to encrypt their communications to men in space. All this is ominous in indicating possible military use of space.

Warning

To meet the challenge of Soviet weapon development, we need additional technical capabilities which will take years to develop. In the meantime, to prevent technological surprise we must count on extending our human intelligence.

To maintain adequate warning capability and attack verification, we will also need new technical capabilities. These are specified in the future capabilities study which I described earlier. Meanwhile, we are upgrading our warning machinery. In the early days of CIA, much of the intelligence operation was built around a weekly watch report. This has disappeared. Over the last few years, there has been only a monthly warning meeting of officers at a relatively low level. We have returned to a weekly indications and warning meeting conducted by the top officials of the CIA's Intelligence Directorate, NSA, DIA, and State. They will be charged with reevaluating each trouble spot and producing a watch report for the President, Secretary of State, Secretary of Defense, and the President's National Security Advisor at the end of each week. We are presenting next week to the National Foreign

Intelligence Board the report of a working group on warning which will be the basis for improvements in the warning process and which I believe can result in a more effective networking of the warning capabilities of the various elements of the Intelligence Community, a more aggressive and persistent search for warning indicators, a more frequent and systematic challenging of previous judgments, and improved and automatic intelligence input to crisis management.

Counterintelligence

Finally, we are taking a broad new look at how we can develop more adequate protection against the intensified espionage, disinformation and terrorist activities conducted, more or less in concert, by the intelligence services of the Soviets, Cubans, East Germans, Libyans, and their other proxies and partners in crime, including a large number of terrorist organizations. The working relationship between FBI and CIA, as Judge Webster said this week in a letter to the Post, is close and fully cooperative. Still, the challenge is a large and growing one and a counterintelligence subcommittee chaired by Senator Chafee has shown great interest in how we can meet it better. We have organized and have started to pursue an evaluation of the counterintelligence challenges and capabilities required during the balance of the decade, paralleling the capability study completed this year on intelligence challenges and capabilities.

So, you see there is a lot going on, on which we will welcome your assistance and counsel.

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NATIONAL INTELLIGENCE ESTIMATES (1981)

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1980 in relevance, tempo and quality. They reported that in 1979-80 there was substantially less use of the Community and a dearth of interagency estimates directly pointed to critical policy issues in the manner followed since the late spring of this year under revised NIC procedures. Timeliness of intelligence advice and rapidity of response time has much improved in 1981. Design of analysis/estimates--in content shaped more closely to specific policy problems and in forms more useful to policymakers--has also been significantly enhanced.

Finally, in 1979-80, there was substantial evidence of capacity for pertinent anticipatory analysis going unused because of insufficient linkage between the policy and the intelligence communities. Some of these cases later developed into major policy issues involving instability in Eastern Europe, the Middle East, and Central America. Our impression is that, in 1981, performance in converting perceptive basic studies in NFAC into effective inputs for policymakers has been materially improved.

50 KEY INTELLIGENCE ESTIMATES (March 1981-January 15, 1982)

1. Soviet Potential to Respond to US Strategic Force Improvements, and Foreign Reactions (October 1981).

2. Soviet Goals and Expectations in the Global Power Arena (July 1981).

3. Dependence of Soviet Military Power on Economic Relations with the West (November 1981).

4. Insurgency and Instability in Central America (September 1981).

5. Cuban Policy Toward Latin America (June 1981).

6. Political Instability and Regional Tensions (September 1981).

7. Prospects for Iran (September 1981).

8. Nicaraguan Support for Salvadoran Insurgents (March 1981).

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10. Near-Term Military Prospects in El Salvador (May 1981).

11. Soviet Naval Capabilities for Interdiction of Sea Lines of Communications (November 1981).

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13. Deng Xiaoping and the FX Aircraft Issue (October 1981).

14. INF Support: Theater Nuclear Forces (December 1981).

15. The Soviet Economic Predicament and East-West Economic Relations (December 1981).

16. Allied Attitudes Towards Export Controls (January 1982).

17. The Conflict in Southern Africa: Regional and International Dimensions (December 1981).

18. Core Positions of Parties to the Palestinian Dispute (December 1981).

19. Libyan Capabilities and Activities in Sub-Saharan Africa (December 1981).

20. Libya: Impact of Economic Sanctions (December 1981).

21. Pakistan's Nuclear Weapons Program: The Next Three Years (November 1981).

22. The Libyan-Ethiopian-South Yemeni Pact: Short-Term Prospects (November 1981).

23. Regional Implications of President Sadat's Assassination (October 1981).

24. The Soviet Threat to Pakistan (August 1981).

25. Soviet Support for International Terrorism and Revolutionary Violence (May 1981).

26. Soviet Active Measures (August 1981).

27. AWACS and the Arab-Israeli Military Balance (September 1981).

28. Soviet Policy and Africa (March 1981).

29. The Reliability of Poland's Armed Forces (October 1981).

30. Castro Agonistes: The Mounting Dilemmas and Frustrations of Cuba's Caudillo (November 1981).

31. The USSR and the Vulnerability of Empire (December 1981).

32. The Korean Military Balance and Its Implications for Hostilities on the Peninsula (April 1981).

33. Nigeria: Prospects for Stability and Relations with the United States (June 1981).

34. Warsaw Pact Forces Opposite NATO (August 1981).

35. Soviet Military Forces in the Far East (September 1981).

36. The Outlook for Greece (September 1981).

37. Law of the Sea (December 1981).

38. Lebanon (May 1981).

39. Conflicts in the Horn of Africa: Prospects for the Next Year (June 1981).

40. Increasing Instability in the Yemen Arab Republic (August 1981).

41. India's Reactions to Nuclear Developments in Pakistan (September 1981).

42. Soviet Short-Term Options in South Asia (January 1982).

43. Reassessment of the Status of Soviet Ground Forces Division (March 1981).

44. Portugal: Political Stability and US Interests (May 1981).

45. Algeria: Future of the Bendjedid Government (May 1981).

46. Political Prospects in Spain (July 1981).

47. Prospects for Anti-US Terrorism (October 1981).

48. [redacted] 25X1

49. Evolving Soviet Strategy Toward LRTNF Negotiations (September 1981).

50. Military Strategies in Korea (November 1981).